

# Wellington Housing Authority

Managed by HOUSING CATALYST

**Financial Statements**

**December 31, 2020 and 2019**

# Wellington Housing Authority

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December 31, 2020 and 2019

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## Independent Auditor's Report

To the Board of Commissioners  
Wellington Housing Authority  
Fort Collins, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the financial statements of the Wellington Housing Authority as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Wellington Housing Authority, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wellington Housing Authority's financial statements. The accompanying financial data schedules are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the financial statements.

The financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The financial statements of the Wellington Housing Authority as of and for the year ended December 31, 2019, were audited by other auditors, whose report dated June 12, 2020, expressed an unmodified opinion on those statements.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Eide Sallee LLP*

Fargo, North Dakota

# Wellington Housing Authority

Management's Discussion and Analysis  
December 31, 2020 and 2019

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As management of the Wellington Housing Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements, which begin on page 11.

## Financial Highlights

### 2020

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$535,225.
- As of the close of the current fiscal year, the Authority had an unrestricted net position of \$218,775, a decrease of \$82,123 over the prior year end balance of \$300,898.
- The Authority's cash balances at December 31, 2020 totaled \$246,485, representing a decrease of \$80,997 from December 31, 2019.
- The Authority had HUD Operating Subsidy income of \$188,074, including \$1,140 of HUD CARES Act grant income and net rental income of \$100,971 for the year. The Authority incurred \$225,855 in maintenance and operations, \$160,327 in administrative expenses and \$57,006 for utilities.

### 2019

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$666,621.
- As of the close of the current fiscal year, the Authority had an unrestricted net position of \$300,898, an increase of \$26,854 over the prior year end balance of \$274,044.
- The Authority's cash balances at December 31, 2019 totaled \$327,482, representing an increase of \$38,803 from December 31, 2018.
- The Authority had HUD Operating Subsidy income of \$202,161 and net rental income of \$110,317 for the year. The Authority incurred \$163,282 in maintenance and operations, \$121,484 in administrative expenses and \$59,402 for utilities.

## Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements. As the Authority did not expend over \$750,000 in federal assistance, the supplementary information does not contain the schedule of expenditures of federal awards.

## Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future periods (e.g., depreciation and earned personal leave).

The Statement of Cash Flows presents information showing the Authority's inflows and outflows of cash and cash equivalents during the most recent fiscal year. All changes in cash and cash equivalents are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related changes in net assets. Thus, cash flows are reported in this statement for some items that will only result in revenue or expenses in past or future periods (e.g., purchase of assets, new loans, or payments on loans).

The financial statements report on the function of the Authority that is principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations, which is funded primarily with grant revenue received from the United States Department of Housing and Urban Development.

# Wellington Housing Authority

Management's Discussion and Analysis  
December 31, 2020 and 2019

## Financial Analysis

The following table shows a summary of changes from prior year's amounts.

### Wellington Housing Authority Authority-Wide Net Position as of December 31, (in thousands of dollars)

	2020	2019	2018	2017	2016
Cash & Escrow Deposits	\$ 246	\$ 327	\$ 289	\$ 216	\$ 217
Tenant Receivables	6	3	8	6	2
HUD Receivables	-	-	-	1	-
Other Receivables	-	-	-	-	2
Prepaid Expenses	2	4	15	14	14
Capital Assets (Net)	317	366	418	477	538
<b>Total Assets</b>	<b>\$ 571</b>	<b>\$ 700</b>	<b>\$ 730</b>	<b>\$ 714</b>	<b>\$ 773</b>
A/P & Accrued Liabilities	\$ 18	\$ 18	\$ 23	\$ 12	\$ 9
Security Deposits/Escrow	14	14	14	12	12
Due to Other Governments	1	-	-	-	-
Unearned Revenue	2	1	1	1	-
Total Liabilities	35	33	38	25	21
Investment in Capital Assets	317	366	418	477	538
Unrestricted Net Position	219	301	274	212	214
Total Net Position	536	667	692	689	752
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 571</b>	<b>\$ 700</b>	<b>\$ 730</b>	<b>\$ 714</b>	<b>\$ 773</b>

### 2020

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$535,225 at the close of the most recent fiscal year.

The largest portion of the Authority's net position (59%) reflects its investment in capital assets (e.g., buildings, machinery, and equipment, less accumulated depreciation). The Authority uses these capital assets to provide housing and services to low-income tenants: consequently, these assets are not available for future spending. The unrestricted net position of \$218,775 for the Authority is available for future use to provide program services.

# Wellington Housing Authority

Management's Discussion and Analysis  
December 31, 2020 and 2019

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The unrestricted net position of the Authority decreased by \$82,123 during the current fiscal year. The Authority's revenues are largely intergovernmental revenues received from HUD for cost reimbursement grants and operating expense subsidies. The Authority draws monies from the grant awards for allowable program and capital expenditures. During the current year, the balance of operating subsidy revenue decreased by \$15,227 despite an overall increase to the awarded funding as a portion of the current year funding was diverted to CARES Act related activities and was not drawn during the year. There was also an increase to capital funding of \$8,497 and a decrease in current year tenant rental income of \$9,436. The Authority's operating and capital grant revenues and charges for rents were not sufficient to cover operating expenses for the year due mainly to increased maintenance costs for the year related to additional tree pruning and increased vacancy costs.

## 2019

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$666,621 at the close of the most recent fiscal year.

The largest portion of the Authority's net position (55%) reflects its investment in capital assets (e.g., buildings, machinery, and equipment, less accumulated depreciation). The Authority uses these capital assets to provide housing and services to low-income tenants: consequently, these assets are not available for future spending. The unrestricted net position of \$300,898 for the Authority is available for future use to provide program services.

The unrestricted net position of the Authority increased by \$26,854 during the current fiscal year. The Authority's revenues are largely intergovernmental revenues received from HUD for cost reimbursement grants and operating expense subsidies. The Authority draws monies from the grant awards for allowable program and capital expenditures. Due to a current year increase in both operating subsidy and capital funding along with an increase in rental income, the Authority's operating and capital grant revenues and charges for rents were sufficient to cover operating expenses for the year.

## Wellington Housing Authority

Management's Discussion and Analysis  
December 31, 2020 and 2019

A condensed Statement of Changes in Net Position is shown in the table below.

**Wellington Housing Authority**  
**Authority-Wide Change in Net Position for the Year Ended December 31,**  
**(in thousands of dollars)**

	2020	2019	2018	2017	2016
<b>Operating Revenues</b>					
HUD Annual Contribution	\$ 187	\$ 202	\$ 191	\$ 177	\$ 175
Dwelling Rental	101	110	106	93	85
Other Income	5	2	2	-	2
<b>Total Operating Revenue</b>	<b>293</b>	<b>314</b>	<b>299</b>	<b>270</b>	<b>262</b>
<b>Operating Expenses</b>					
Maintenance and Operations	226	163	134	147	143
Administrative	159	122	97	92	83
Depreciation	49	52	59	61	83
Utilities	57	59	61	60	63
Insurance and Other	29	30	28	27	21
PILOT	3	4	3	2	2
<b>Total Operating Expenses</b>	<b>523</b>	<b>430</b>	<b>382</b>	<b>389</b>	<b>395</b>
<b>Operating Income (Loss)</b>	<b>(230)</b>	<b>(116)</b>	<b>(83)</b>	<b>(119)</b>	<b>(133)</b>
<b>Nonoperating Revenues</b>	<b>99</b>	<b>91</b>	<b>86</b>	<b>56</b>	<b>54</b>
<b>Change in Net Position</b>	<b>(131)</b>	<b>(25)</b>	<b>3</b>	<b>(63)</b>	<b>(79)</b>
<b>Net Position - Beginning of Year</b>	<b>667</b>	<b>692</b>	<b>689</b>	<b>752</b>	<b>831</b>
<b>Net Position - End of Year</b>	<b>\$ 536</b>	<b>\$ 667</b>	<b>\$ 692</b>	<b>\$ 689</b>	<b>\$ 752</b>

### 2020

- Current year operating subsidy grant revenue received from the United States Department of Housing and Urban Development (HUD) decreased as compared to the prior year by \$15,227 (8%). Capital Fund contributions increased by \$8,497 (9%) as compared to the prior year. Overall, total intergovernmental grant revenue received from HUD decreased by \$6,730 (2%). As noted above, the decrease was mainly due to the allocation of subsidy funds to CARES Act related activities, the majority of which was not drawn during the year. These funds will be available for use in 2021.

## Wellington Housing Authority

Management's Discussion and Analysis  
December 31, 2020 and 2019

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- Rental income decreased by \$9,346 (8%) as compared to the prior year. The decrease was due to a decrease in tenant rental income, which decreased by \$12,192 (12%) as compared to the prior year. Other tenant revenues increased by \$2,846 (27%) as compared to the prior year, due mainly to an increase in tenant work orders.
- Operating expenses increased by \$92,508 (21%) as compared to the prior year. The largest increases in operating expenses were in maintenance and administrative expenses, which increased by \$62,573 (38%) and \$37,703 (31%), respectively, as compared to the prior year due to increases to grounds care expense, administrative salaries and management fees. Additionally, there was a small decrease in utility expenses (\$2,396, -4%) as compared to the prior year due to a decrease in gas expense.

### 2019

- Current year operating subsidy grant revenue received from the United States Department of Housing and Urban Development (HUD) increased as compared to the prior year by \$10,811 (6%). Capital Fund contributions increased by \$4,254 (5%) as compared to the prior year. Overall, total intergovernmental grant revenue received from HUD increased by \$15,065 (5%).
- Rental income increased by \$4,880 (5%) as compared to the prior year. The increase was due to an increase in tenant rental income, which increased by \$8,289 (9%) as compared to the prior year. Other tenant revenues decreased by \$3,409 (25%) as compared to the prior year, due mainly to a decrease in tenant work orders.
- Operating expenses increased by \$48,102 (13%) as compared to the prior year. The largest increases in operating expenses were in maintenance and administrative expenses, which increased by \$28,820 (21%) and \$24,634 (25%), respectively, as compared to the prior year due to increases to grounds care expense, administrative salaries and public housing disposition costs. Additionally, there was a small decrease in utility expenses (\$1,950, -3%) as compared to the prior year due to decreases in water and electric expenses.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

### 2020

As of December 31, 2020, the Authority's investment in capital assets was \$316,450 (net of accumulated depreciation and capital loans). This investment in capital assets includes land, buildings, improvements, equipment, and computer software.

The Authority did not have any major capital asset purchases during the current fiscal year. Additional information can be found in Note 4 of this report.

2019

As of December 31, 2019, the Authority's investment in capital assets was \$365,723 (net of accumulated depreciation and capital loans). This investment in capital assets includes land, buildings, improvements, equipment, and computer software.

The Authority did not have any major capital asset purchases during the current fiscal year. Additional information can be found in Note 4 of this report.

**Long-Term Debt**

As of December 31, 2020 and 2019, the Authority has no long-term debt.

**Economic Factors and Next Year's Budget**

The following factors were used in preparing the Authority's budget for the 2021 fiscal year:

- The Authority has contracted with the Fort Collins Housing Authority dba Housing Catalyst to provide administrative and maintenance services.

**Future Events that will Financially Impact the Authority**

The following future events will have a financial impact on the operations of the Authority:

- The State and Federal budgets may have an impact on future growth rates and funding received. Presently HUD is proposing to fund the Operating Subsidy at less than 100% in 2021. This may require the use of operating reserves during the year. The Authority is also planning the replacement of several roofs and other additional maintenance items planned for 2020 that will require the use of 2021 capital funds and operating reserves. Additionally, the Authority also has a Section 18 disposition application in review with HUD that may affect operations in 2021.

**Contact Information**

Mr. Brian Heckart, Director of Accounting, may be contacted with questions concerning this report. He can be reached at (970) 416-2910, or by mail at 1715 West Mountain Ave., Fort Collins, CO 80521. His e-mail address is [bheckart@housingcatalyst.com](mailto:bheckart@housingcatalyst.com).

# Wellington Housing Authority

Statements of Net Position  
December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 232,224	\$ 313,337
Accounts receivable - tenants	5,632	3,012
Due from other government	-	-
Prepaid expenses	1,937	3,800
Total Current Assets	239,793	320,149
Restricted Cash	14,261	14,145
Capital Assets		
Non-depreciable	144,669	144,669
Depreciable, net	171,781	221,054
Total Capital Assets, Net	316,450	365,723
Total Assets	<u>\$ 570,504</u>	<u>\$ 700,017</u>
<b>Liabilities and Net Position</b>		
Current Liabilities		
Accounts payable	\$ 10,561	\$ 12,005
Accrued liabilities	7,572	5,927
Unearned revenues	1,900	1,021
Due to other government	985	298
Total Current Liabilities	21,018	19,251
Long-Term Liabilities		
Tenant security deposits payable	11,437	9,723
Money held in escrow	2,824	4,422
Total Long-Term Liabilities	14,261	14,145
Total Liabilities	35,279	33,396
Net Position		
Net investment in capital assets	316,450	365,723
Unrestricted net position	218,775	300,898
Total Net Position	535,225	666,621
Total Liabilities and Net Position	<u>\$ 570,504</u>	<u>\$ 700,017</u>

**Wellington Housing Authority**  
 Statements of Revenues, Expenses and Changes in Net Position  
 Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
HUD PHA grants	\$ 188,074	\$ 202,161
Rental income	100,971	110,317
Other	4,696	2,052
Total Operating Revenues	293,741	314,530
Operating Expenses		
Ordinary maintenance	225,855	163,282
Administrative	160,327	121,484
Depreciation	49,273	52,197
Utilities	57,006	59,402
Insurance	25,756	24,021
Payments in lieu of taxes	3,064	3,799
Other	3,015	6,463
Total Operating Expenses	524,296	430,648
Operating Income (Loss)	(230,555)	(116,118)
Non-Operating Revenues (Expenses)		
Interest income	22	135
Total Non-Operating Revenues (Expenses)	22	135
HUD Capital Contributions	99,137	90,640
Change in Net Position	(131,396)	(25,343)
Net Position, Beginning of the Year	666,621	691,964
Net Position, End of the Year	\$ 535,225	\$ 666,621

**Wellington Housing Authority**  
 Statements of Cash Flows  
 Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
HUD PHA grants	\$ 188,074	\$ 202,161
Receipts from tenants	104,042	117,377
Payments to suppliers	(472,272)	(369,048)
Payments in lieu of taxes	-	(2,462)
Net Cash used for Operating Activities	(180,156)	(51,972)
Capital and Related Financing Activities		
HUD capital contributions	99,137	90,640
Net Cash from Capital and Related Financing Activities	99,137	90,640
Investing Activities		
Interest income	22	135
Net Cash from Investing Activities	22	135
Net Change in Cash and Cash Equivalents and Restricted Cash	(80,997)	38,803
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	327,482	288,679
Cash and Cash Equivalents and Restricted Cash, End of Year	\$ 246,485	\$ 327,482

**Wellington Housing Authority**  
 Statements of Cash Flows  
 Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Total Cash and Cash Equivalents		
Cash and Cash Equivalents	\$ 232,224	\$ 313,337
Restricted Cash	14,261	14,145
 Total Cash and Cash Equivalents and Restricted Cash	 \$ 246,485	 \$ 327,482
 Reconciliation of Operating Loss to Net Cash Used For Operating Activities		
Operating loss	\$ (230,555)	\$ (116,118)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	49,273	52,197
Changes in assets and liabilities		
(Increase) decrease in assets:		
Receivables	(2,620)	4,987
Prepaid expenses	1,863	11,462
Increase (decrease) in liabilities:		
Accounts payable	(1,444)	(6,400)
Tenant security deposits payable	1,714	(74)
Due to other government	687	298
Money held in escrow	(1,598)	459
Accrued liabilities	1,645	1,337
Unearned revenue	879	(120)
 Net Cash used for Operating Activities	 \$ (180,156)	 \$ (51,972)

**Note 1 - Principal Business Activity and Significant Accounting Policies**

**General**

Wellington Housing Authority (the "Authority") was created under the laws of the State of Colorado. The purpose of the Authority is to administer the Housing Act of 1937, as amended. These programs are subsidized by the Federal Government through the United States Department of Housing and Urban Development ("HUD").

The Authority is governed by a five-member Board of Commissioners.

The Authority prepares its financial statements in accordance with accounting principles generally accepted in the United States of America as they relate to governmental entities.

**Reporting Entity**

The Authority's financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- The organization is legally separated (can sue and be sued in their own name)
- The Authority holds the corporate powers of the organization
- The Authority appoints a voting majority of the organization's board
- The Authority is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Authority
- There is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Wellington Housing Authority has no component units and is not includable as a component unit within another reporting entity.

**Basis of Accounting and Measurement Focus**

The Authority accounts for its operations in one fund type, the enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred. All assets, deferred outflows, liabilities and deferred inflows associated with the operations of the Authority are included on the statement of net position.

**Cash and Cash Equivalents**

The Authority's cash deposits can only be invested in HUD approved investments: direct obligations of the Federal Government backed by the full faith and credit of the United States, obligations of government agencies, securities of government sponsored agencies, demand and savings deposits, time deposits, repurchase agreements, and other securities approved by HUD.

For the purpose of the statements of cash flows, the Authority considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

**Capital Assets**

Land, buildings and improvements, and equipment are recorded at cost, including indirect development costs. The Authority uses a capitalization threshold of \$5,000. Donated fixed assets are valued at their acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Depreciation is computed using the straight line method as follows:

Buildings and Land Improvements	15 - 30 years
Equipment	5 - 10 years

The Authority reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There were no impairment losses recognized during 2020 or 2019.

### **Components of Net Position**

Components of net position include the following:

- Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.
- Restricted Net Position – Consists of net position less related liabilities reported in the basic statements of net position that are subject to restraints on their use by HUD.
- Unrestricted Net Position – Consists of net position less related liabilities reported in the basic statements of net position that are not subject to restraints on their use.

### **Operating Revenues and Expenses**

The Authority considers all revenues and expenses (including HUD intergovernmental revenues and expenses) as operating items with the exception of HUD capital fund grant income, interest expense, interest revenue, and gain/loss on disposal of capital assets which are considered non-operating for financial reporting purposes.

### **Fraud Recovery**

HUD requires the Authority to account for monies recovered from tenants who committed fraud or misrepresentation in the application process for rent calculations and now owe additional rent for prior periods or retroactive rent as fraud recovery. The monies recovered are shared by HUD and the local authority.

### **Unearned Revenues**

Unearned revenue represents prepaid rent.

### **Accounting Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the period. Actual results could differ from those estimates.

## **Note 2 - Deposits and Investments**

### **Deposits**

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The general depository agreement required by the annual contract with HUD has additional collateral requirements, which the Authority met in 2020 and 2019.

### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2020 and 2019, the Authority's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with PDPA.

At December 31, 2020 and 2019, the Authority's carrying amount of deposits was \$246,485 and \$327,482, respectively, and the bank balance was \$246,485 and \$327,097, respectively. As of December 31, 2020, the full amount of the bank balance was covered by Federal Depository Insurance. As of December 31, 2019, \$250,000 of the bank balance was covered by Federal Depository Insurance and the remaining balance of \$77,097 was collateralized with securities held by a pledging financial institution's agent in the government's name.

### **Investments**

The Authority's investment policy allows for investments to be solely in securities approved by HUD. Authorized investment instruments are as follows:

- Obligations of the United States and certain United States government agency securities
- Insured Money Market Deposit Accounts
- Municipal Depository Fund
- Super NOW Accounts
- Certificates of Deposit
- Repurchase Agreements
- Sweep Accounts
- Separate Trading of Registered Interest and Principal of Securities (STRIPS)
- Mutual Funds that meet HUD criteria

The Authority's deposit and investment policy specifies that all investments are to be adequately collateralized if deposits and investments exceed Federal insurance limits. The policy does not formally address credit risk, interest rate risk, or foreign currency risk associated with investments.

## Wellington Housing Authority

Notes to Financial Statements  
December 31, 2020 and 2019

### Note 3 - Restricted Assets

Restricted cash consist of cash which is restricted to comply with HUD requirements for the home ownership program and for tenant security deposits. At December 31, 2020 and 2019, \$14,261 and \$14,145, respectively, of cash was restricted.

### Note 4 - Capital Assets, Net

The following is a summary of changes in capital assets for the years ended December 31, 2020 and 2019:

	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
Non-Depreciable				
Land	\$ 144,669	\$ -	\$ -	\$ 144,669
Depreciable				
Building and land improvements	1,976,486	-	-	1,976,486
Office building	25,357	-	-	25,357
Equipment	29,406	-	-	29,406
Total Depreciable Assets	2,031,249	-	-	2,031,249
Accumulated Depreciation				
Building and land improvements	(1,755,432)	(49,273)	-	(1,804,705)
Office building	(25,357)	-	-	(25,357)
Equipment	(29,406)	-	-	(29,406)
Total Accumulated Depreciation	(1,810,195)	(49,273)	-	(1,859,468)
Net Depreciable Capital Assets	221,054	(49,273)	-	171,781
Total	<u>\$ 365,723</u>	<u>\$ (49,273)</u>	<u>\$ -</u>	<u>\$ 316,450</u>

## Wellington Housing Authority

Notes to Financial Statements  
December 31, 2020 and 2019

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Non-Depreciable				
Land	\$ 144,669	\$ -	\$ -	\$ 144,669
Depreciable				
Building and land improvements	1,976,486	-	-	1,976,486
Office building	25,357	-	-	25,357
Equipment	29,406	-	-	29,406
Total Depreciable Assets	2,031,249	-	-	2,031,249
Accumulated Depreciation				
Building and land improvements	(1,703,235)	(52,197)	-	(1,755,432)
Office building	(25,357)	-	-	(25,357)
Equipment	(29,406)	-	-	(29,406)
Total Accumulated Depreciation	(1,757,998)	(52,197)	-	(1,810,195)
Net Depreciable Capital Assets	273,251	(52,197)	-	221,054
Total	\$ 417,920	\$ (52,197)	\$ -	\$ 365,723

Depreciation expense for 2020 and 2019 was \$49,273 and \$52,197, respectively.

### Note 5 - Management Contract

The Authority has a management contract with the Fort Collins Housing Authority dba Housing Catalyst ("Housing Catalyst"). The agreement requires Housing Catalyst to provide for the operations of the Authority's project. The Authority pays a management fee plus all direct costs to Housing Catalyst. During 2020 and 2019, the Authority incurred and paid Housing Catalyst \$70,652 and \$56,048, respectively, for management fees.

During 2020 and 2019, the Authority incurred and paid Housing Catalyst \$129,753 and \$85,368, respectively, for all other direct costs related to maintenance and operating expenses.

As of December 31, 2020, the Authority owed Housing Catalyst \$985 for unpaid management fees and other direct costs. As of December 31, 2019, the Authority owed Housing Catalyst \$298 for unpaid management fees.

**Note 6 - Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance for the risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Limits of insurance coverage are adjusted annually for new values.

**Note 7 - Commitments and Contingencies**

The Authority receives significant financial assistance from the U.S. Government in the form of contracts and grants. Entitlement to these resources is generally contingent upon compliance with the terms and conditions of the contract or grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all federal grants and contracts are subject to a financial and compliance audit under federal regulations. Disallowed costs as a result of compliance audits become a liability of the Authority. Management believes that the potential for a material liability due to future audit disallowance is remote.

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# Wellington Housing Authority

Managed by HOUSING CATALYST

**Financial Data Schedules**  
**December 31, 2020**



**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Commissioners  
Wellington Housing Authority  
Fort Collins, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Wellington Housing Authority as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Wellington Housing Authority’s basic financial statements and have issued our report thereon dated June 7, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Wellington Housing Authority’s internal control over financial as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wellington Housing Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Wellington Housing Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Wellington Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota

**Wellington Housing Authority (CO014)**

**Wellington, CO**

**Entity Wide Balance Sheet Summary**

Submission Type:

Audited/Non Single Audit

Fiscal Year End:

12/31/2020

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	Total
111 Cash - Unrestricted	\$232,224		\$232,224	\$232,224
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted				
114 Cash - Tenant Security Deposits	\$11,437		\$11,437	\$11,437
115 Cash - Restricted for Payment of Current Liabilities	\$2,824		\$2,824	\$2,824
100 Total Cash	\$246,485	\$0	\$246,485	\$246,485
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$5,632		\$5,632	\$5,632
126.1 Allowance for Doubtful Accounts -Tenants	\$0		\$0	\$0
126.2 Allowance for Doubtful Accounts - Other				
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$5,632	\$0	\$5,632	\$5,632
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$1,937		\$1,937	\$1,937
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$254,054	\$0	\$254,054	\$254,054
161 Land	\$144,669		\$144,669	\$144,669
162 Buildings	\$2,001,843		\$2,001,843	\$2,001,843
163 Furniture, Equipment & Machinery - Dwellings	\$6,237		\$6,237	\$6,237
164 Furniture, Equipment & Machinery - Administration	\$23,169		\$23,169	\$23,169
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$1,859,468		-\$1,859,468	-\$1,859,468
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$316,450	\$0	\$316,450	\$316,450
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$316,450	\$0	\$316,450	\$316,450
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$570,504	\$0	\$570,504	\$570,504
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$10,561		\$10,561	\$10,561
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable				
322 Accrued Compensated Absences - Current Portion				
324 Accrued Contingency Liability				
325 Accrued Interest Payable				

331	Accounts Payable - HUD PHA Programs				
332	Account Payable - PHA Projects				
333	Accounts Payable - Other Government				
341	Tenant Security Deposits	\$11,437		\$11,437	\$11,437
342	Unearned Revenue	\$1,900		\$1,900	\$1,900
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344	Current Portion of Long-term Debt - Operating Borrowings				
345	Other Current Liabilities	\$11,381		\$11,381	\$11,381
346	Accrued Liabilities - Other				
347	Inter Program - Due To				
348	Loan Liability - Current				
310	Total Current Liabilities	\$35,279	\$0	\$35,279	\$35,279
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352	Long-term Debt, Net of Current - Operating Borrowings				
353	Non-current Liabilities - Other				
354	Accrued Compensated Absences - Non Current				
355	Loan Liability - Non Current				
356	FASB 5 Liabilities				
357	Accrued Pension and OPEB Liabilities				
350	Total Non-Current Liabilities	\$0	\$0	\$0	\$0
300	Total Liabilities	\$35,279	\$0	\$35,279	\$35,279
400	Deferred Inflow of Resources				
508.4	Net Investment in Capital Assets	\$316,450		\$316,450	\$316,450
511.4	Restricted Net Position				
512.4	Unrestricted Net Position	\$218,775	\$0	\$218,775	\$218,775
513	Total Equity - Net Assets / Position	\$535,225	\$0	\$535,225	\$535,225
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$570,504	\$0	\$570,504	\$570,504

**Wellington Housing Authority (CO014)**

**Wellington, CO**

**Entity Wide Revenue and Expense Summary**

Submission Type:

Audited/Non Single Audit

Fiscal Year End:

12/31/2020

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	Total
70300 Net Tenant Rental Revenue	\$87,649		\$87,649	\$87,649
70400 Tenant Revenue - Other	\$13,322		\$13,322	\$13,322
70500 Total Tenant Revenue	\$100,971	\$0	\$100,971	\$100,971
70600 HUD PHA Operating Grants	\$286,071	\$1,140	\$287,211	\$287,211
70610 Capital Grants				
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$22		\$22	\$22
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue	\$4,696		\$4,696	\$4,696
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$391,760	\$1,140	\$392,900	\$392,900
91100 Administrative Salaries	\$58,658		\$58,658	\$58,658
91200 Auditing Fees	\$8,750		\$8,750	\$8,750
91300 Management Fee	\$70,652		\$70,652	\$70,652
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$11,211		\$11,211	\$11,211
91600 Office Expenses	\$2,416		\$2,416	\$2,416
91700 Legal Expense	\$2,804		\$2,804	\$2,804
91800 Travel				
91810 Allocated Overhead				
91900 Other	\$4,602	\$1,140	\$5,742	\$5,742
91000 Total Operating - Administrative	\$159,093	\$1,140	\$160,233	\$160,233
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$94		\$94	\$94
92500 Total Tenant Services	\$94	\$0	\$94	\$94
93100 Water	\$44,080		\$44,080	\$44,080
93200 Electricity	\$7,777		\$7,777	\$7,777
93300 Gas	\$5,149		\$5,149	\$5,149
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$57,006	\$0	\$57,006	\$57,006
94100 Ordinary Maintenance and Operations - Labor	\$9,117		\$9,117	\$9,117
94200 Ordinary Maintenance and Operations - Materials and Other	\$11,462		\$11,462	\$11,462
94300 Ordinary Maintenance and Operations Contracts	\$203,189		\$203,189	\$203,189
94500 Employee Benefit Contributions - Ordinary Maintenance	\$2,087		\$2,087	\$2,087

94000 Total Maintenance	\$225,855	\$0	\$225,855	\$225,855
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance	\$25,756		\$25,756	\$25,756
96120 Liability Insurance				
96130 Workmen's Compensation				
96140 All Other Insurance				
96100 Total insurance Premiums	\$25,756	\$0	\$25,756	\$25,756
96200 Other General Expenses				
96210 Compensated Absences				
96300 Payments in Lieu of Taxes	\$3,064		\$3,064	\$3,064
96400 Bad debt - Tenant Rents	\$3,015		\$3,015	\$3,015
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$6,079	\$0	\$6,079	\$6,079
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$473,883	\$1,140	\$475,023	\$475,023
97000 Excess of Operating Revenue over Operating Expenses	-\$82,123	\$0	-\$82,123	-\$82,123
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense	\$49,273		\$49,273	\$49,273
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$523,156	\$1,140	\$524,296	\$524,296
10010 Operating Transfer In	\$99,137		\$99,137	\$99,137
10020 Operating transfer Out	-\$99,137		-\$99,137	-\$99,137
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$131,396	\$0	-\$131,396	-\$131,396
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$666,621	\$0	\$666,621	\$666,621
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				

11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity				
11180 Housing Assistance Payments Equity				
11190 Unit Months Available	504		504	504
11210 Number of Unit Months Leased	485		485	485
11270 Excess Cash	\$177,348		\$177,348	\$177,348
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$0		\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0	\$0
11650 Leasehold Improvements Purchases	\$0		\$0	\$0
11660 Infrastructure Purchases	\$0		\$0	\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0